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C O N F I D E N T I A L SECTION 01 OF 02 ASMARA 000615

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SUBJECT: ASSAB TRIP REPORT - LOCAL ECONOMY TANKING

Classified By: CDA Jennifer A. McIntyre, for reasons 1.4 (b) and (d).

¶1. (C) Summary. Between June 16 and June 18, 2007, FSN members of post traveled to Assab, the second port city of Eritrea. They found an economy that had virtually ground to a halt and were told by local business owners that this was due to governmental restrictions on trade and movement. They also found a city that had been effectively turned into a military installation, with few visible civilians and many soldiers. End Summary.

¶2. (SBU) Note: All foreigners, including diplomats, are required to apply for permits ten days in advance to travel outside of Asmara. Requests for travel by diplomats to presumably sensitive areas of the country, such as Assab, are routinely ignored or denied by the Government of the State of Eritrea (GSE), which prevents the U.S. staff from traveling to and learning about certain areas of the country. Members of the FSN staff, however, can usually travel freely to places like Assab. End Note.

BACKGROUND

¶3. (U) Until the 1998 border war between Eritrea and Ethiopia, the small city of Assab was the busiest port city in the country. Ethiopia was its only client, but the volume of goods shipped through Assab was greater than that of the current leading port city of Massawa. Assab remains a major point of contention between Eritrea and Ethiopia. Media reports and blogs show that many members of the Ethiopian public are offended that they "gave up" both of their port cities to Eritrea when it became independent in 1993 and that Ethiopia lost stature when it became landlocked. Eritreans have often told Embassy officers that Ethiopia is looking for an excuse to try to retake the city, especially because they lost access to the port after the 1998 border war.

¶4. (C) Until recently, Assab supported a thriving fishing industry that had been the lifeblood of the city since the port closed to Ethiopian trade. Fishermen told the FSN staff that, until recently, they would take their catch to Yemen and Djibouti to trade for commodities such as diesel fuel and various food commodities, which would be then brought back and sold on the Assab market. This trade became the city's primary source of diesel fuel, which was sold at a fraction of the inflated government price. According to the

fishermen, the government allowed this informal trade to continue without harassment until June 2007.

GSE ECONOMIC INTERFERENCE) UNCREATIVE DESTRUCTION

15. (C) In early June 2007, the government banned all boat travel to and from the Eritrean coast. The fishermen were unable to go to sea to catch fish or travel abroad to trade, which has led to shortages of non-local goods in Assab. The sub-zone administrator escorted members of the FSN staff to the coast where they were able to see numerous fishing vessels simply sitting and not being used. (Note: The Embassy employees were under strict instructions not to take pictures of the idle fishing boats, as well as anything else within Assab. End Note.) The fishermen mentioned to the Embassy employees that they were used to being self-reliant and had never required government assistance in the past as they were the suppliers of necessary goods to their community. They indicated deep dissatisfaction with the government's policy because they are now jobless and worried about becoming beggars. (Note: Many of the fishermen were recipients of a USAID-sponsored micro-loan program managed by the Ministry of National Development. They were supposed to repay their loans with the proceeds of their fishing revenues, but will now find it very difficult to do so. End Note.) Another micro-loan client who owned a small truck delivery service in Assab indicated to the Embassy employees that diesel fuel had become scarce since the fishermen's activities were restricted. He receives a quota of diesel from the government, but it is much more expensive than the black market fuel he used to buy and he is uncertain of the

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stability of the supply. Finally, the electricity in the city is turned off between the hours of 10:00 pm and 7:30 am, which the FSNs reported effectively shuts the city down and makes it feel as if the city were under a curfew.

16. (C) The micro credit program administrator in Assab told the FSNs that "In Assab and surrounding areas, businesses are not prospering as we hoped. Most businesses are declining dramatically. The only hope is if the port starts operating." He also said of last year's harvest that "due to desert locusts all the crops were destroyed. The Ministry of Agriculture was informed ahead of time but failed to act in due time." Of the local water situation, he said that "water saved from the rain near the living areas is now dry. People are drinking unsafe water and walking long distances to fetch it." He noted that they were trying to use trucks to bring the water in from nearly 30 kilometers away, but the shortage of diesel fuel was making this method very difficult.

FROM A PORT TO A FORT

17. (C) The FSNs reported that when they entered Assab they felt as though they were entering a large military camp. Military personnel were very prevalent in the city. Most of the local businesses were closed. The only businesses that seemed to be doing well were bars catering to the soldiers; very few civilians were patrons when our FSNs visited these establishments. No other forms of entertainment exist in the city. Embassy employees could not find any libraries, theaters, internet cafes, or parks.

18. (C) Comment: The GSE's economic policies would defy logic, if the goal were in fact, to promote national development as the government-controlled news organs routinely proclaim. However, the situation in Assab tracks well with a government that is primarily concerned with controlling the movements of its citizens and ensuring its military activities remain opaque to the outside world. Post speculates that the GSE restricts the activities of fishermen for two reasons: first,

to forestall possible assistance to young Eritreans serving in national service trying to escape to Yemen or Djibouti, and second to eliminate the fishermen's ability to obtain hard currency in return for selling their products abroad, private enterprise which cannot be tracked or taxed by the GSE. However, by depriving the Eritrean population of both external goods and a means of livelihood, the GSE continues to squeeze a population already on the edge of economic survival. End Comment.

MCINTYRE